

Agriculture and Trade Policy: Year in Review/ Year Ahead



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Agriculture and Trade Policy: Year In Review/Year Ahead

- **Introduction**
- **Agriculture Policy: Review/Prospects**
- **Trade Policy: Review/Prospects**
- **Market Maintenance**
- **Summary**



Agriculture Policy Review

Farm Programs Review

- **2002 Farm Bill Implementation – major accomplishments in record time**
 - **Direct payments** \$6.6 bil to date
 - **CC payments** \$2.5 bil
 - **LDP/MLG program** \$1.9 bil
 - **Peanut Quota buyout** \$1.2 bil
 - **Dairy/MILC** \$2.8 bil
 - **Livestock Comp. Program** \$1.1 bil
- **CRP signup completed June 13: 1.7 mil. acs. enrolled - \$98 mil rental payments**
- **Safety net in place, functioning to 2007**



Agriculture Policy Review

- 2003 Agricultural Assistance Act (signed Feb. 20)
 - overlapped Farm Bill implementation
- Major features
 - **Crop disaster assistance '01 or '02 losses – (\$2.4 bil)**
 - **Livestock assistance – (\$365 mil)**
 - **Misc. provisions – (\$635 million)**
- All programs implemented – payments distributed



Agriculture Policy Review

Crop Insurance

- Coverage \$40 bil – 215 mil insured acres
- 2002 indemnities - \$4.1 bil
- 2003 indemnities - \$3.0 bil
- Providing expanding safety net to producers



Agriculture Policy: Year Ahead

- Farm program safety net in place – fully functioning
- Crop insurance functioning
- CRP signup planned early Spring



Trade Policy: Review/Prospects

- **Strategy and approach**
 - Recall “Competition for liberalization” - if progress stalls on one front, shift attention and efforts to others
 - Multilateral/Regional/Bilateral



Trade Policy: Review/Prospects

- **Multilateral – WTO/Doha Development Agenda**
 - **Cancun Ministerial – missed opportunity**
 - **Several month “reflection period”**
 - **Amb. Zoellick letter (Jan. 12) – outlines approach for negotiations this year – extensive visits - “no lost year”**
 - **Framework by mid-year; Ministerial late 2004**



Trade Policy: Review/Prospects

- **Reaffirming to all: U.S. objectives/ambitions remain the same**
 - **Improve export competition through elimination of export subsidies**
 - **Improved market access through substantial tariff reductions**
 - **Substantial reduction in trade-distorting domestic support**



Trade Policy: Review/Prospects

- **Regional: Free Trade Area of the Americas (FTAA)**
 - **Largest (800 mil) and most affluent (\$13 tril)**
 - **Two-tiered framework established in Miami (Nov. 03)**
 - **Common set of rights, obligations**
 - **Higher tier – additional disciplines**
 - **Work on common areas not concluded in Puebla – resumes late March**
 - **Deadline 2005**



Trade Policy: Review/Prospects

- **Regional: Central America Free Trade Agreement (CAFTA)**
 - **35 mil potential customers – a \$1.2 bil market**
 - **Guatemala, Honduras, Nicaragua, El Salvador – Costa Rica**
 - **Dominican Republic - negotiations ongoing**
 - **Goal - Addition of DR**



Trade Policy: Review/Prospects

- **Regional: Southern Africa Customs Union (SACU)**
 - **South Africa, Namibia, Botswana, Lesotho and Swaziland – 50 million customers**
 - **U.S. exports – wheat, coarse grains, meat to benefit**
 - **Aids regional integration – S. Africa at core**
 - **Negotiations underway – completion by end of 2004**



Trade Policy: Review/Prospects

■ Regional: Andean Countries

- Intent to negotiate – Colombia, Peru, Ecuador, Bolivia (Nov. 18, 2003)**
- Andean plus CAFTA (with DR) trade exceeds bilateral trade with Brazil**
- Largest trading partners in Latin America after Mexico**
- Negotiations begin 2nd quarter 2004**



Trade Policy: Review/Prospects

- **Bilateral**

- **Existing FTAs with Israel, Jordan, Chile and Singapore**
- **Australia negotiations concluded (Feb. 2004)**
- **Morocco – negotiations nearly complete**
- **Thailand, Panama and Bahrain to start this year**



Market Maintenance

- Market Maintenance – keeping markets open – major ongoing function
 - Russia poultry
 - China SPS – biotech – TRQ admin
 - Mexico
- WTO rules based system helps



Market Maintenance

- **BSE – reopening markets**

- A “process” – provide info, reassure public
- Uncharted territory for trade – still evolving
- Two key milestones
 - Conclusion of investigation
 - International review team report
- Status
 - Canada, Philippines remain open
 - Mexico
 - Hong Kong
 - Korea
 - Japan – unique situation – dealing with consumer confidence problems



Market Maintenance

- China
 - 5th largest customer overall
 - Exports tripled in 3 years - \$1.8 bil (2002) to \$5.4 bil (2004f)
 - Significant purchases soybeans, cotton, hides/skins
 - Wheat purchases – buying mission here this week



Observations

- **Farm Sector – Safety net in place**
 - **Farm Bill implementation completed - in record time**
 - **Disaster aid provided**
 - **Risk management tools improving**

- **Trade Prospects**
 - **Market opportunities improved**
 - **Trade liberalization – key to success**

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